

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6941

BILL NUMBER: HB 1084

DATE PREPARED: Dec 26, 2001

BILL AMENDED:

SUBJECT: Tax Increment Financing.

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides for state distributions to tax increment financing (TIF) areas to replace reductions in property tax levies in the areas resulting from action by the General Assembly or another entity in state government.

Effective Date: July 1, 2002.

Explanation of State Expenditures: Under this proposal, the state would replace TIF revenues that are lost due to any action taken by the state after December 31, 2000. This would only apply to TIF areas established before June 30, 2002. The bill would create the Tax Increment Replacement Account within the state General Fund from which any state payments would be made.

In CY 2001, TIF revenues totaled \$151.6 M, statewide. These revenues have been growing at an average rate of about 13% per year. The maximum fiscal impact of this proposal could potentially be the entire amount of TIF revenue now collected if in the future the state were to take an action that eliminated these revenues.

However, as of now, the only state actions taken after December 31, 2000, that could affect TIF revenues are adoption of the new real and personal property assessment rules. It is unclear what effect, if any, the new assessment rules will have on TIF revenues beginning in CY 2003. Although tax rates are expected to decrease by about 35%, the valuation (and the incremental value) of TIF property may increase, thereby reducing or eliminating a revenue loss.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill would ensure that local TIF revenues are not reduced due to a

state action. TIF revenues are most often used to repay redevelopment bonds.

State Agencies Affected: Auditor of State.

Local Agencies Affected: Redevelopment commissions or other entities that receive TIF proceeds.

Information Sources: Local Government Database.